

Sales in Libraries

I. Friends of the library groups generally

IC 36-12-3-5

"Real or personal property; acquisition; disposal

Sec. 5. (a) The library board may:

(1) acquire real or personal property by purchase, devise, lease, condemnation, or otherwise; and

(2) own any real or personal property for purposes of the public library.

(b) The library board may:

(1) sell;

(2) exchange; or

(3) otherwise dispose of;

real property no longer needed for library purposes in accordance with IC 36-1-11.

(c) The library board may transfer personal property no longer needed for library purposes for no compensation or a nominal fee to an Indiana nonprofit library organization that is:

(1) tax exempt; and

(2) organized and operated for the exclusive benefit of the library disposing of the property;

without complying with IC 36-1-11 (which requires a governmental unit to obtain an appraisal and hold a public hearing on the disposal of the property)."

A Friends of the library group must be registered with the Indiana Secretary of State as a nonprofit corporation in order for the library to donate personal property to it. (Registering for tax-exempt status under Internal Revenue Code Section 501(c) (3) is part of the registration process.) A Friends group will need to apply to the Indiana Department of Revenue (IDOR) using Form BT-1 for a sales tax ID number. A Friends group will report to IDOR annually, quarterly or monthly depending on how much sales tax the group estimates on the BT-1 that it will collect. Generally, a 12-month/year business operation will report and pay sales tax monthly.

II. Book sales lasting fewer than 31 days in one calendar year

Bulletin #10 (see below for link) Application of Sales Tax to Nonprofit Organizations (or Friends Group):

"Sales of tangible personal property by qualified nonprofit organizations carried on for a total of not more than thirty (30) days in a calendar year and engaged in as a fund raising activity to raise funds to further the qualified nonprofit purposes of the organization are exempt from sales tax...."

If a Friends group sells books or other items over less than thirty-one days in a calendar year, it is exempt from sales tax. Assume that a Friends group is selling tangible personal property inside the library and the estimated length of sales days is less than 31 in the calendar year. If the group was to leave the premises for a lunch break and left a sign instructing a patron to take the merchandise to

the library's check-out desk to make the purchase, the library would not collect sales tax. According to the IDOR, the library would be assisting the nonprofit in the sales of the nonprofit's merchandise and thus, would not need to collect sales tax.

III. Book sales/Friends bookstores sales carried on more than 30 days in a calendar year

Bulletin #10 (see below for link)

"If an organization conducts sales or fund raising activities during thirty-one (31) or more days in a calendar year (not necessarily consecutive), it is a retail merchant and must {charge}, collect {and report} sales tax on all sales made during the calendar year."

Similarly, if the library was assisting the friends group with its sales, the library also would collect the tax.

IV. Sales of merchandise by a Library

Bulletin #4 (See Link Below) Sales to and By the State of Indiana

"Sales of tangible personal property to the general public in the ordinary course of operations by the state of Indiana or its local governments are generally subject to sales tax. For example, the sale of key chains or license cases by a license branch is taxable. The state may purchase any property to be resold exempt from tax, but must collect the tax from the purchase at the point of sale."

Libraries selling items to patrons (including but not limited to removable computer storage devices, office supplies (but not copies of public records, computer printouts or library cards)) must charge and collect sales tax.

V. Sales Tax Bulletin #4 Sales To and By the State of Indiana, Its Political Subdivisions, the United States Government and Its Agencies

<http://www.in.gov/dor/reference/bulletins/sales/pdf/sib04.pdf>

VI. Sales Tax Bulletin #10 Application of Sales Tax to Nonprofit Organizations

<http://www.in.gov/dor/reference/bulletins/sales/pdf/sib10.pdf>

Please check with your library's attorney, if further information is needed.